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ACTION AF-00

INFO	LOG-00	NP-00	AID-00	CA-00	CEA-01	CIAE-00	CTME-00
	INL-00	DODE-00	ITCE-00	DOT-00	EB-00	EXME-00	EUR-00
	E-00	FAAE-00	UTED-00	VC-00	FRB-00	TEDE-00	INR-00
	LAB-01	L-00	VCE-00	AC-00	NEA-00	NRC-00	NSAE-00
	NSCE-00	OES-00	OMB-00	NIMA-00	EPAU-00	CAEX-00	MCC-00
	PER-00	GIWI-00	ACE-00	SP-00	IRM-00	SSO-00	SS-00
	STR-00	FMP-00	BBG-00	EPAE-00	IIP-00	SCRS-00	DRL-00
	G-00	NFAT-00	SAS-00	/002W			

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FM AMEMBASSY NDJAMENA
TO SECSTATE WASHDC 1721
INFO AMEMBASSY ABUJA
AMEMBASSY DAKAR
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY NIAMEY
AMEMBASSY PARIS
AMEMBASSY YAOUNDE
DEPT OF TREASURY WASH DC
DOC WASHDC
DOE WASHDC

UNCLAS NDJAMENA 000886

SIPDIS

DEPARTMENT FOR AF, AF/C, EB, LONDON AND PARIS FOR
AFRICAWATCHER, DAKAR FOR CYNTHIA

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EPET](#) [CD](#)

SUBJECT: TOUGH TIMES FOR CHADIAN EXPORTERS

[11.](#) (SBU) Summary: Oil is spurring international investment interest in Chad and the interest of Chadian businesses in exporting overseas. However, Chadian businesses in non-oil sectors are facing a number of difficulties. Language barriers, infrastructure problems, and high operating costs are restricting the ability of many companies to break into U.S. markets and take advantage of tariff-reduction benefits from AGOA. End Summary.

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BACKGROUND

[12.](#) (U) The Esso-led oil consortium has brought significant benefits for Chadian companies operating as sub-contractors. The number of Chadian companies working with Esso on production activities is growing, and the number of local employees being hired by the consortium has also increased. Large oil exports have also meant that Chad is becoming one of the largest exporters to the U.S. under AGOA, as Chad's exports to the United States are expected to be approximately 241 million USD in the first three months of 2005. However, trade in other sectors between the two countries has seen little improvement. Discounting oil, total trade between Chad and the U.S. is projected to be only 2 million USD for next year for products such as gum arabic and sesame.

[13.](#) (SBU) Econoff used meetings with the Ministry of Commerce, the International Financial Corporation, and local businesses, to uncover a number of variables that restrict Chadian companies from exporting products to the U.S. These include language issues, high operating costs, and lack of confidence in public institutions.

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LANGUAGE PROBLEMS

[14.](#) (SBU) Chadian businesses are extremely interested in dealing with American partners, but they find that the lack of knowledge of the English language hinders their ability to engage with counterparts in the States. A number of businessmen have noted that while their trips to International Buyer Programs proved initially successful, the language barrier prevented further dialogue between partners. The language problem forces many companies to turn to business partners in France. Many companies have welcomed any potential opportunity to take English language courses that focus on business vocabulary and etiquette. However, no such courses exist in the country.

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HIGH OPERATING COSTS

15. (SBU) High operating costs are clearly taking their toll on the capacity of Chadian companies to internationalize their operations. A primary concern for many Chadian businesses is the high transportation cost to export goods to trade hubs in Cameroon and Nigeria (the two intermediary points for Chadian businesses to deliver their goods). While road conditions within the country are deplorable, the local business community complains about the lack of vehicles to transport products. Most large trucks needed for carrying finished products are currently used by Esso for oil production and international relief organizations to deliver humanitarian supplies to camps in eastern Chad. Chadian businesses must wait weeks, or even months, before receiving trucks. In addition, they must also pay extremely high overhead fees for using the vehicles due to the high demand. Complicating matters is the lack of a transportation company that has the capacity to satisfy the demands of local businesses.

16. (SBU) The business community also notes the high costs of raw materials necessary to construct and operate facilities. They particularly note the high cost of cement and electricity. Currently, Chad lacks a local cement company that can provide the material to local companies. Most of the cement is actually imported from Nigeria, at a value that is more than two times the cost of cement in the United States. The Secretary General for the Ministry of Commerce

noted on May 25 that the Ministry conducted a study in 2000 to assess the feasibility of creating and operating a local cement plant in eastern Chad, but the study concluded that a local parastatal would encounter too many financial problems to be viable.

17. (SBU) High electricity costs add to the difficulties for Chadian companies. Chef Kante, business development consultant for the IFC, explained that structural problems with the current, and highly out-dated, electricity grid result in a constant loss of electricity, which force the government to increase overall energy prices to cover their costs. While the IFC has provided technical advisors to explore ways to revamp the current system, the overhauling of the electricity grid in the country would involve the utilization of resources that the Chadian government does not have. All of these costs force these companies to think twice before considering exporting overseas, particularly to a country as far-removed geographically such as the United States.

LACK OF CONFIDENCE IN PUBLIC INSTITUTIONS

18. (SBU) Chad lacks public institutions that can promote trade capacity and protect investment. Local business leaders point to a general lack of concern by the government in the area of promoting business activity and trade capacity. Case in point is the rigorous process required to register a local business. Business leaders have complained that the process wastes resources that businesses could use to invest in their own development. Kante noted an IFC program to help the GOC to create a one-stop shop for business registration, but stated that such an endeavor is far from being complete. The lack of such initiatives are causing many businesses to question the commitment of the government to business promotion and trade development.

19. (SBU) Many also note their concern over the presence of corruption, fraud and the lack of enforcement mechanisms in the judicial system. Kante pointed out that some Chadian businessmen complain that the costs associated with bribing officials to obtain simple procedural documents place significant strains on their operations. While the Ministry of Commerce admitted the presence of corrupt bureaucrats who take advantage of local businesses, he noted that the government lacks the capacity to crack down on corruption.

110. (SBU) A strong Chamber of Commerce would normally help to initiate dialogue between the public and private sector, and chart out plans of action to address problems faced by local businesses. Unfortunately, the Chadian Chamber of Commerce is plagued by weak and ineffectual leadership, the lack of adequate infrastructure (internet, phones, basic office supplies), and a very limited understanding of international commerce, particularly in the area of AGOA and trade with the United States. Without a vibrant Chamber of Commerce, Chadian businesses also lose a potential advocate for improvements in the national business climate and export capacity.

COMMENT

11. (SBU) Chad is currently benefiting from oil production, but needs to diversify its economy to ensure long-term

growth. We will seek ways to overcome the language barriers encountered by Chadian businesses and find support for programs that will bolster the Chamber of Commerce's ability to become an effective advocate. In addition, we will continue to work with both government leaders and the private sector to identify obstacles and find solutions to enable Chadian businesses to increase trade with the U.S.

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